

Message Text

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ACTION EB-07

INFO OCT-01 ARA-10 EUR-12 EA-09 NEA-10 ISO-00 AGRE-00

AID-05 IO-13 USIA-15 COME-00 TRSE-00 CIAE-00 INR-07

NSAE-00 L-03 SP-02 NSC-05 CIEP-02 SS-15 STR-04 OMB-01

CEA-01 AF-08 OIC-02 /132 W

----- 092579

R 022025Z DEC 76

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 8391

INFO AMEMBASSY OTTAWA

AMEMBASSY BUENOS AIRES

AMEMBASSY CANBERRA

AMEMBASSY MOSCOW

AMEMBASSY TOKYO

AMEMBASSY NEW DELHI

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY BRUSSELS

AMEMBASSY BONN

USMISSION EC BRUSSELS

USDEL MTN GENEVA

UNCLAS SECTION 01 OF 02 LONDON 19505

PASS USDA

E.O. 11652:

TAGS: EAGR, ETRD

SUBJECT: IWC (INTERNATIONAL WHEAT COUNCIL): 69TH
SESSION, NOVEMBER 30 - DECEMBER 2, LONDON

1. SUMMARY. MAIN BUSINESS WAS DISCUSSION ON FUTURE
ACTION LEADING TO POSSIBLE NEW AGREEMENT; THIS RESULTED
IN COUNCIL DECISION THAT PREP GROUP SHOULD MEET AGAIN
IN SPRING, DATE OR DATES SET BY EXSEC PAROTTE AFTER
CONSULTATION WITH MEMBERS. ALTHOUGH A TIME TABLE FOR
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CONVENING NEGOTIATIONS WAS TENTATIVELY CONSIDERED, A

DECISION WAS POSTPONED UNTIL NEXT REGULAR SESSION, JUNE 1977. USSR DELEGATE, V. POLEZHAEV, ELECTED VICE-CHAIRMAN, THUS PLACING HIM IN LINE TO BE CHAIRMAN FOR 1977-78 CROP YEAR. END SUMMARY.

2. DISCUSSION OF PREP GROUP'S WORK TO DATE OPENED BY PAROTTE, WHO POINTED TO WIDE REMAINING DIFFERENCES BETWEEN VIEWS OF DELEGATIONS AS TO POSSIBLE CONTENT OF NEW AGREEMENT; HE CONCLUDED BY OUTLINING A POSSIBLE TIME TABLE INCLUDING:

(A) PREP GROUP MEETING.

(B) SPECIAL COUNCIL SESSION IN SPRING 1977 TO REVIEW AND APPROVE THE WORK OF THE PREP GROUP AND ESTABLISH DATE FOR NEGOTIATIONS.

(C) FIRST PHASE OF NEGOTIATIONS IN SEPTEMBER 1977.

(D) CONCLUDING PHASE NEGOTIATIONS IN JAN/FEB 1977.

(E) ENTRY IN FORCE NEW AGREEMENT JULY 1, 1978.

COMMENTING ON PROGRESS OF PREP GROUP WORK TO DATE WAS LIMITED ALMOST ENTIRELY TO US STATEMENT WHICH UNDERSCORED PROBLEM OF WIDELY DIFFERING VIEWS AND CONCLUDED THAT IF DECISION WERE TO BE MADE NOW AS TO WHETHER A BASIS EXISTS FOR NEW AGREEMENT SUCH DECISION WOULD PROBABLY BE NEGATIVE; MAIN POINTS WERE:

(A) MOST COUNTRIES PRESUME THAT REGARDLESS OF HOW PRICE RANGE IS DEFINED, OLD FORM (PRE-1967) OF FIRM MINIMUM AND MAXIMUM CAN BE RESTORED, ALONG WITH PRE-1971 CONCEPT OF RELATED RIGHTS AND OBLIGATIONS, WHILE SOME COUNTRIES INSIST THAT UNDER CURRENT AND FORESEEABLE MARKET CONDITIONS IT IS ENTIRELY UNREALISTIC TO EXPECT PRICES TO BE SO CONTAINED.

(B) MOST COUNTRIES SEE A POSSIBLE RESERVES PROVISION SERVING MAINLY IF NOT SOLELY A MARKET STABILIZING ROLE, WHILE SOME INSIST THAT RESERVES ROLE SHOULD BE UNCLASSIFIED

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CONFINED TO FOOD SECURITY.

3. RE FUTURE WORK AND POSSIBLE TIMETABLE OUTLINED BY PAROTTE, US DEL MADE FOLLOWING POINTS:

(1) US FAVORS CONTINUED COOPERATION IN WHEAT TRADE AND BRINGING ADDITIONAL SUBSTANCE TO THE COOPERATION THAT NOW EXISTS.

(2) WE CANNOT AGREE TO TIMETABLE FOR NEGOTIATIONS
SINCE IT REMAINS UNCLEAR WHETHER THERE WILL BE A NEW
AGREEMENT ON WHAT IT MIGHT CONTAIN.

(3) THE US HAS REPEATEDLY INDICATED ITS UNWILLING-
NESS TO PARTICIPATE IN AGREEMENT CONTAINING PRICE
DISCIPLINE.

(4) IF EXISTING DIFFERENCES BECOME NARROWED, THE

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APPROPRIATE TIME TO CONSIDER NEGOTIATING SCHEDULE WOULD BE NEXT REGULAR COUNCIL SESSION IN JUNE, 1977.

(5) MEETINGS PRIOR TO NEXT COUNCIL SESSION COULD BE COUNTERPRODUCTIVE, BUT IF PREP GROUP WERE TO MEET IN SPRING, DATE SHOULD BE LEFT OPEN FOR NOW.

4. DURING DISCUSSION ON FUTURE ACTION USSR REP COMMENTED THAT THERE APPEARED TO BE A CONSENSUS IN FAVOR OF INCLUDING NEW AGREEMENT BY JULY 1978 AND HE SUGGESTED UNCLASSIFIED

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THAT TERMS OF REFERENCE OF PREP GROUP SHOULD BE CHANGED TO PERMIT PREPARATION OF DRAFT AGREEMENT THAT COULD BE CONSIDERED BY IWC IN JUNE AND SUBSEQUENTLY TRANSMITTED TO UNCTAD SECRETARY GENERAL TO CONVENE NEGOTIATIONS UNDER UNCTAD AUSPICES. HIS PROPOSAL, HOWEVER, MET WITH GENERAL UNWILLINGNESS TO ALTER TERMS OF REFERENCE, WITH EC MOST STRONGLY OPPOSED. EC ALSO OPPOSED SUBSEQUENT USSR PROPOSAL THAT REPORT ON COUNCIL MEETING INDICATE THAT, FOLLOWING POSSIBLE PREP GROUP MEETING IN SPRING, SECRETARIAT WOULD PREPARE DRAFT "AGREEMENT."

5. CONCLUSION OF FUTURE ACTION DISCUSSION WAS AGREED STATEMENT THAT PREP GROUP SHOULD MEET AGAIN, AT A DATE OR DATES TO BE DECIDED BY PAROTTE IN CONSULTATION WITH MEMBERS, WITH PURPOSE OF CONTINUING ITS EXAMINATION OF POSSIBLE BASES FOR NEW AGREEMENT. SPECIFICALLY, IT WOULD CONSIDER THE OPTIONS PAPER NOW BEING REVISED AND, IN LIGHT OF THIS EXAMINATION, WOULD PRODUCE A DRAFT, INCLUDING VARIANTS, WITH THE AIM OF SUBMITTING IT TO COUNCIL IN JUNE 1977 WHEN THE POSSIBLE CONVENING OF A NEGOTIATING CONFERENCE WOULD BE FURTHER REVIEWED.

6. DURING DINNER WITH MEMBERS OF US DELEGATION, SOVIET REP POLZHAEV EXPOUNDED ON USSR EXPECTATIONS FOR OUTCOME OF IWC DISCUSSIONS. HE SAID SOVIET OBJECTIVE IN IWC IS CONCLUSION OF A NEW AGREEMENT TO STABILIZE INTERNATIONAL WHEAT PRICES. THEY FAVOR STABILIZATION MECHANISM BASED ON MAINTENANCE OF A RELATIVELY WIDE PRICE RANGE WITHOUT ANY DIRECT LINKAGE WITH RESERVES OR BUFFER STOCKS PROVISION. HE SAID USSR DID NOT HAVE SPECIFIC SUGGESTION ON SIZE OF RANGE OR ON LIMITS BUT PRICES ADOPTED MUST BE REALISTIC IN MARKET TERMS AND SHOULD BE SUBJECT TO ADJUSTMENT PERIODICALLY TO REFLECT CHANGING CONDITIONS, SUCH AS WORLD INFLATION, THOUGH USSR WOULD NOT FAVOR INDEXATION OR ANY FORMULA FOR AUTOMATIC ADJUSTMENT. USSR FAVORS AGREEMENT CONFINED TO WHEAT TRADE ONLY. ON

NEGOTIATING PROCESS, POLZHAEV SAID IWC SHOULD CONCLUDE A PROPOSED AGREEMENT THAT WOULD BE SENT TO UNCTAD SECRETARY GENERAL WITH REQUEST TO CONVENE A CONFERENCE OF GOVERNMENTS. WHEN QUESTIONED ON LIKELY ROLE OF UNCTAD IN NEGOTIATION, POLZHAEV SAID IT WOULD BE THE UNCLASSIFIED

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SAME AS IN 1971 -- A PROCEDURAL ROLE WITHOUT A REOPENING OF SUBSTANTIVE NEGOTIATIONS. HE SAID SOVIET SUPPORT FOR UNCTAD CONFERENCE DID NOT MEAN THAT USSR WANTED GRAINS TO BE ADDED TO LIST OF 18 COMMODITIES INVOLVED IN UNCTAD PROGRAM AND COMMENTED THAT ANY US SUSPICIONS OF ULTERIOR MOTIVES ON PART OF SOVIET UNION WERE UNFOUNDED. HE ADDED THAT USSR WAS PARTICIPATING IN IWC TALKS IN A SERIOUS MANNER AND SOUGHT CONCLUSION OF A SOUND WHEAT AGREEMENT THAT SERVED THEIR COMMERCIAL INTERESTS.

7. IN DISCUSSION OF FUTURE ACTION, MOST COUNTRIES REITERATED DESIRE TO MOVE FORWARD IN WORK SO AS NEW AGREEMENT WITH PRICE PROVISIONS AS WELL AS POSSIBLE OTHER ELEMENTS WOULD BE IN FORCE BY TIME OF EXPIRATION OF CURRENT AGREEMENT. LDCE, PARTICULARLY EGYPT, PAKISTAN, AND ARGENTINA, SUPPORTED TIME TABLE OUTLINED BY EXECUTIVE SECRETARY. OTHER COUNTRIES SUCH AS CANADA AND AUSTRALIA ALTHOUGH AGREEING IN PRINCIPLE NOTED NEED FOR FLEXIBILITY IN ESTABLISHING MEETING SCHEDULE. AUSTRALIA IN PARTICULAR NOTED THAT NEXT MEETING SHOULD NOT BE TOO SOON SO AS TO PRECLUDE POSSIBLE CHANGES IN COUNTRIES' POSITIONS. THIS WAS IN DIRECT REFERENCE TO U.S.

8. THROUGHOUT WEEK QUESTION RAISED AS TO WHETHER U.S. MIGHT NOT SOON CHANGE ITS POSITION AND BE WILLING TO PARTICIPATE IN A WHEAT AGREEMENT THAT SETS A PRICE RANGE WITHIN WHICH WORLD TRADE IN WHEAT WOULD OCCUR. ALL OTHER COUNTRIES PUBLICLY FAVOR SUCH AN AGREEMENT ALTHOUGH THERE ARE SUBSTANTIAL DIFFERENCES OF OPINION AS TO EXACTLY HOW AGREEMENT WOULD WORK. ALL OTHERS NOW FEEL USEFUL FURTHER WORK CANNOT BE DONE UNTIL U.S. STATES POSITION AGAIN IN EARLY 1977.

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